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C O N F I D E N T I A L SECTION 01 OF 02 ZAGREB 001048

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TAGS: [PREL](#) [PGOV](#) [HR](#)
SUBJECT: HDZ LOOKING MORE LIKELY TO FORM GOVERNING
COALITION, BUT SDP NOT GIVING UP YET

REF: A. ZAGREB 1036
[1](#)B. ZAGREB 1047

Classified By: Rick Holtzapple, POL/ECON, Reasons 1.4 B/D

[1](#)1. (C) SUMMARY AND COMMENT: SDP Vice-President Antunovic told the Ambassador on November 28 that her party still believes they "have a chance" to form the government, and have not given up. But other contacts, including SDP advisor Grdesic, increasingly indicate that it is more likely the HDZ will be given the mandate to form a government. President Mesic's confidant Loncar put the odds at "85 percent," although he said Mesic had made no decision yet. The HDZ picked up one more seat, when the lone Roma member of the Sabor pledged his support. FM and HDZ-member Kitarovic told the Ambassador, however, that hard bargaining lies ahead for the HDZ in forming a coalition, even though PM Sanader is confident of success. One key issue will be how many of the HSS/HSLs demands can be met. While the HSS/HSLs demand of a referendum on NATO accession is unlikely to be accepted by the HDZ (especially since Mesic also opposes it), several of the HSS's demands on agriculture and fisheries could complicate Croatia's EU accession, and are opposed by another significant possible coalition partner, the Croatian Serb SDSS party. One factor in the coalition negotiations cited by several contacts is that Sanader would be a stronger leader more able to manage an effective coalition as PM than either of the SDP's prime ministerial candidates, the pleasant but unimpressive Ljubo Jurcic, or the more forceful but inexperienced Zoran Milanovic. We agree. END SUMMARY AND COMMENT.

SDP VIEWS: ANTUNOVIC - "WE'VE NOT GIVEN UP"; GRDESIC -
"MILANOVIC KNOWS WE'VE LOST"

[1](#)2. (C) The SDP continued contacts on November 28, including with Croatian Serb SDSS party leaders Milorad Pupovac and Vladimir Stanimirovic. A tired-looking SDP Vice President Zeljka Antunovic told the Ambassador the SDP still believed it could form a government and was not giving up. SDP advisor, and former Croatian Ambassador to the US, Ivan Grdesic, however, told the Ambassador in a private conversation that he believes SDP President Milanovic knows that the HDZ will eventually get the mandate, and accepts it. Grdesic argued this would not be a bad outcome for the SDP. It would give Milanovic time to gain more political experience in the Sabor. It would also allow him to devote his attention to preparing the party for the next elections and maintain the SDP's political momentum (it rose from 34 seats in the 2003 elections to 56 seats this year). A key requirement, in Grdesic's view, would be for Milanovic to get rid of Zagreb Mayor (and rival for the SDP leadership) Milan

Bandic. Grdesic said that stories were circulating that Bandic and his supporters within the SDP were silently cheering for Milanovic to fail in forming a government.

LONCAR: MESIC "85 PERCENT" LIKELY TO GIVE SANADER THE MANDATE

13. (C) Presidential Advisor Budimir Loncar told the Ambassador that he thought President Mesic had hoped and believed SDP would win more seats than the HDZ within Croatia, and would therefore have been the clear favorite to form a coalition majority in the Sabor. Since this had not been the result, the President was still evaluating how to proceed. Mesic began his consultations with the smaller parties on November 29, but Loncar said Mesic would want to give the parties time to negotiate with both the HDZ and SDP, to avoid weakening the smaller parties' bargaining position too much. Loncar thought Mesic had not yet reached a final decision, but was "85 percent" likely to give Sanader the mandate to form a government. (COMMENT: Mesic must play his role carefully. He could be influential if he encourages smaller parties to lean one way or the other, but too blatant an effort would probably spark a serious backlash among the Croatian public against presidential "meddling". Conversely, if either Sanader or Milanovic comes to Mesic with pledged support from the 77 Sabor members needed to form a majority, then Mesic's role would be reduced to simply confirming the coalition. END COMMENT.)

HARD BARGAINING STILL AHEAD FOR THE HDZ

14. (SBU) The HDZ is avidly working to produce just such a fait accompli for Mesic. On November 28, the HDZ held a

ZAGREB 00001048 002 OF 002

press conference to announce that the Sabor's lone Roma minority member, Nazif Memedi, had announced he would support the HDZ. (NOTE: Memedi won one of the reserved minority seats with just 305 votes. To win a seat in any other district required about 12,000 votes. But, as Mesic himself has said, "a Sabor seat is a Sabor seat." END NOTE.) This brings the HDZ to 67 confirmed seats, matching the number for the SDP-led group, which also includes the HNS, IDS parties and the Bosniak minority member. In a brief conversation, FM (and unsuccessful HDZ candidate for the Sabor) Kolinda Grabar-Kitarovic told the Ambassador that the HDZ was still engaged in tough negotiations with other potential coalition partners. While PM Sanader was confident he could find the necessary votes, it was not yet a done deal.

THE HSS'S DEMANDS - COMPLICATING CROATIA'S EURO-ATLANTIC FUTURE?

15. (U) As reported reftels, critical to any coalition are the eight-seats held by the election coalition of Croatian Peasant's Party (HSS, 6 seats), and the Croatian Social Liberal Party (HSLs, 2 seats). Sanader was reported to have met with HSS President Josip Friscic and HSLs President Djurdja Adlesic on November 28, but no conclusion was yet reached. According to HSS/HSLs statements and press reports, the two parties are raising several demands in their coalition discussions with both the SDP and the HDZ: i) at least two ministerial positions, including minister of agriculture and vice-premier slots; ii) fiscal decentralization; iii) a law permitting but regulating work on Sundays; iv) a public referendum on Croatia's entry into NATO; v) a minimum pension of \$300 (1500 kuna) a month; vi) a \$1.2 billion (6 billion kuna) increase in agricultural subsidies; vii) a several-year moratorium on the sale to foreigners of agricultural land, forests, or water utilities; and viii) implementation of a fishery and environmental protection zone in the Adriatic.

16. (SBU) The HDZ will find it difficult to accede to all of

these demands. The first few (ministerial positions, new legislation) are relatively uncontroversial. But the HDZ is publicly committed to not holding a referendum on NATO, and Sanader will be loath to begin a new mandate letting his 66 seat majority be publicly and unambiguously controlled by its eight-seat partner. Even if the HSS drops the referendum proposal, as it has signaled it might, the remaining HSS demands pose serious challenges, given that the highest priority of any new government will be completing Croatia's accession negotiations with the EU. The budget implications of HSS demands could be serious, and measures to prohibit the sale of land to EU citizens or to prevent EU (or more precisely, Italian) fishing fleets from fishing in the Adriatic would almost certainly complicate negotiations with the EU.

OTHER POTENTIAL COALITION PARTNERS WATCH AND WAIT

17. (SBU) Smaller potential coalition partners, meanwhile, are watching to see what the HSS/HSLs decide. The Pensioners' Party, Italian and Czech/Slovak minority representatives have all told the press they will join with whichever party can form a majority. Milorad Pupovac, who heads the 3-seat Independent Serb Democratic Party (SDSS) told PolOff on November 28 that the SDSS would rather join an SDP-led coalition, but if the HSS/HSLs go with the HDZ, then the SDSS would seek to negotiate terms with the HDZ. This was despite the fact that SDSS disagreed with nearly all of the HSS/HSLs coalition demands.

18. (C) One common theme in discussions contrasting the HDZ's and the SDP's prospects for forming a coalition was that PM Sanader's stronger leadership skills were an important part of the HDZ's advantage. Both Loncar and Pupovac explicitly mentioned that the SDP's prime ministerial candidate, Ljubo Jurcic, would be incapable of effectively managing a multi-party coalition. This would lead to a situation uncomfortably reminiscent of 2000-2002, when Prime Minister Ivica Racan's SDP-led government was fatally wounded by disagreements within the coalition. Jurcic's weak image, which according to polls already hurt the SDP at the ballot box, continues to do damage to the SDP's political fortunes.

BRADTKE